

By: Malka Katzman

Budgeting BASICS

*Mesila Paves the Path
to Financial Stability*

I ripped open the envelope. The bill featured an extra charge on my credit card for a lengthy long-distance phone call. Ten dollars for just a few minutes of conversation to an old friend on the wrong line. We have free long-distance minutes on the other line, but when the phone battery had gone dead, I'd called from the other line – and that had cost me ten dollars. I could have waited a few minutes for the other phone to charge or told my friend I'd call back another time. That split-second decision cost me.



I hate spending money unnecessarily, and the bill on the table was a jarring sight.

I threw it out. And there!

The expense disappeared.

This is the power of mind over matter. You know about it, it exists. You ignore, it disappears...or so it seems — until you have to face the consequences.

THIS IS PRECISELY the *raison d'être* of Mesila, a non-profit organization dedicated to educating people about financial awareness and responsibility. Mesila lifts people's heads out of the sand and helps them assume control over their finances.

“No decision is good unless it is an informed one,” says Rabbi Ephraim Pessin, director of the Mesila division in Monsey. “The more information utilized to reach any decision, the better the decision will be.”

This summarizes Mesila's work. Mesila wants you to be informed and completely aware of your family's financial setup so you can make wise financial decisions.

Mesila's Goals

Mesila was founded in 1998 by Rabbi Shmuli Margulies as a lending *gemach* in Eretz Yisroel and England. But Rabbi Margulies soon realized that the *gemach* was not helping anyone; the same people who borrowed money once kept coming back to borrow more. Trying to get to the root of the problem, he decided he'd offer a far better service by teaching people the importance of financial stability, and that has become Mesila's goal. About three years ago, Mesila branched out and started servicing Monsey, Brooklyn and Lakewood. Education occurs on several levels: in elementary schools, junior high schools, high schools, *mesivtas*, and of course, with programs targeted for adults.

Elementary school? Yes, Mesila starts with the young. Education for elementary school students doesn't focus on specific financial realities, but rather on a general outlook on money. In the sixth grade, students learn that their parents work hard to make money; money is not unlimited, and you have to think well before you spend it. They also discuss peer pressure and the difference between needs and wants. In high school, where the students are ready to go a level higher, the curriculum encompasses the basics of budgeting.

At this point, schools throughout the U.S., Canada, England and Eretz

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Yisroel are implementing the Mesila curriculums in their schools.*

At the next and most central level are the adults. Newlyweds who reach out to Mesila attend two meetings for preliminary — and preventative — financial education. This is the easier part of Mesila's job, when there are not yet ingrained faulty habits or major accrued debt. Trained coaches teach the couple that it is vital to budget each month and know exactly what's coming in and going out. Both husband and wife must be on board; forget the oblivious spendthrift wife stereotype. They receive Mesila's clear budget spreadsheets to facilitate organized tracking. This should set them up for future financial responsibility.

The harder track is the older adults. Most couples (past the newlywed stage) contact Mesila following a trigger episode — perhaps they were notified by the credit card company that it will no longer extend credit, or they're marrying off a child, or they'd like to buy a house but were unexpectedly declined for a bank mortgage. Suddenly, they realize that something has gone awry with their finances. A Mesila coach meets with them for an average of six sessions, where they go through the three-stage program of awareness, change and maintenance. The coach provides them with the tools to attain awareness of their complete financial picture, define their financial goals and pri-

orities, make necessary changes, and overcome any financial barriers to enhancement of income. They also learn to create a spending plan and deal with their current specific predicament.

Financial Fallacies

Rabbi Pessin relays a disturbing fact: Most of the couples who seek Mesila's help have accumulated between \$20,000 and \$150,000 in credit card debt! The credit card is, in Rabbi Pessin's parlance, America's "*makkas medinah*." Credit card usage is attractive, because you can always pay later. Rabbi Pessin cautions that not only will that mean you have a debt you can't really pay back, but you will also have a larger debt because you have interest to pay on top of the loan.

Instead of being seen as a vehicle of payment, the credit card is sometimes regarded as a source of income! Rabbi Pessin doesn't advise against using credit cards altogether — sometimes it is a useful solution when used with caution — but note the key words: *sometimes* and *caution*.

Do you identify yourself in the story below?

A man came to consult with Rabbi Pessin about his financial difficulties. In the course of their conversation, Rabbi Pessin talked to him about his work. This hardworking *yungerman* caught his ride to work straight from Shacharis every day.

"What do you eat for breakfast?" Rabbi Pessin asked him.

"Oh, I get a Danish and a coffee from the café next to the *shul*."

"And how much does that cost?"

"\$4.25."

"And what about lunch? Do you bring a paper bag from home?"

"No, I get myself a sandwich."

"How much does a sandwich cost?"

"\$7.00."

They did the math together: \$4.25 multiplied by 5 days and then by 50 weeks equals \$1,062; \$7.00 multiplied by 5 days and then 50 weeks equals \$1,750; total cost: \$2,812.

If he was earning \$75,000 a year, which netted \$50,000 after taxes, then he was spending over 5 percent of his yearly net income on his breakfast and lunch.

This is just an offshoot of a cardinal rule in financing: Every cent adds up. More accurately, it is small



sums that usually add up *the most!* Food is one of those things that are constant, and therefore it grows very costly when each individual expense is even just a bit higher than necessary. All of the extra dollars here and there are money, too, and if they are spent on a whim, they will be sorely missing at the final tally.

Budgeting

So how do you budget?

The rule of thumb in budgeting is: Spend less than you make. To do that, obviously, you must have the facts in order and scrupulously recorded. Mesila's spreadsheets are an excellent guide for this.

I can't resist but ask how expenditures should ideally be apportioned. What percentage of one's income should be spent on food? How much on housing expenses?

The answer is as disappointing as it is empowering.

"Every family has individual needs," Rabbi Pessin says. "It is every man's choice and privilege to decide what his priorities are. There are no rules, except that every *yes* is essentially a *no* to something else. If you are nutrition-conscious and believe that your children need food supplements, you will have to sacrifice something else toward that end. Maybe your child won't have a bike, or the family won't have a second car."

It is also empowering because Mesila trusts you. They do not impose any set of beliefs or lifestyle preferences on you; they just offer you the tools that will enable you to live the life you want.

Following Mesila's Path

Mesila's scope of activities is impressive. Mesila offers periodic seminars that tackle specific financial issues, such as prudent shopping or kids and money. Couples who've been through Mesila's individual consultation are offered follow-up sessions. Recently, Mesila of Monsey also began a women's support group for those who have completed, or almost completed, the program. Mesila has also published various literary resources on the subject, including the popular book *Your Money and Your Life*.

The Mindset

Mesila's views are refreshing and optimistic. "*Parnassah* is a gift from Hashem; accept it with grace. If you're always feeling it's not enough, it's as if you're throwing His gift back in His face." Hashem provides you with what you need; acknowledge it with gratitude and use it well.

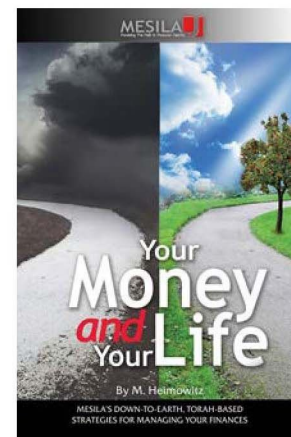
And then, even in the world of dollars and cents, one plus one does not always equal two. Mesila is witness that people who are determined to live within their means, especially financially strapped *kollel* families, merit incredible *bracha* within their modest income.

There are two kinds of *bracha*, Rabbi Pessin explains. There is a *bracha* of more, when Hashem blesses you with a larger income, and there is a greater *bracha* of blessing within the *parnasah* you already have — that somehow it suffices for all of your needs.

MESILA is a firm but gentle guiding hand in a world of temptation, peer pressure and daunting expenses. Financial stability is a realistic vision — and Mesila will get you there.

**Please note that Mesila's educational materials are copyright and must be purchased through Mesila.*

Malka Katzman is the author of Teens Talk, the companion that shares over twenty real-life stories from teenagers' realities.



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Rabbi Ephraim Pessin

MESILA
Providing The Path to Financial Stability